

November 3, 2005

Secretary of Agriculture Mike Johanns

Dear Mr. Secretary,

I would like to speak to you today concerning the current condition of farming in Eastern Washington and what it means for the next generation. I speak to you as a fourth generation farmer. In fact the 05 crop represented the one hundred twenty-eighth consecutive crop by one family on the same land here in Eastern Washington.

After stepping off the combine this past harvest, I added up my yields and used current market prices, only to discover that income would not meet expenses. Our spring crops were less than average, but winter wheat yields were quite good. This should have been a profitable year. How could I have one hundred bushel per acre dry land wheat and still lose money? In an effort to understand why, I gathered information on farm diesel costs, fertilizer costs, and grain freight costs covering the past three years from the people I do business with. The accompanying charts detail this research. What I discovered was a 180% increase in farm diesel cost, a 55% increase in fertilizer cost, and a 20% increase in grain freight cost. As farmers cannot pass costs along, these increases are devastating to the bottom line. Coupled with weak commodity prices, it is easy to see why farms are failing. In 04 we paid too much for fertilizer and fuel, but were able to absorb it on a one-time basis. The current increases are not sustainable. Agricultural bankers will not loan money to farms that won't cash flow.

In newspaper articles concerning your visit here today, I noticed your interest in ideas for the 07 Farm Bill with an eye toward involvement by younger farmers. Without profit, farmers young or old cannot continue. Why would young farmers want to enter an environment where failure is almost certain due to poor profitability? I sometimes wonder which farmers in the world USDA advocates for. It sure can't be us. Tactics such as using the loan rate to discriminate against soft white wheat and using the Emerson Trust in a predatory manner drives down an already depressed market. This further damages the chance for profitability. USDA has the power to make or break farmers. Right now it is breaking us.

The current problems are directly related to fuel prices, driving up the cost of all inputs. In WWII farms were assured of the fuel they needed, at a reasonable cost. Food production was important. Look where we are now. Hurricane damage to refining capacity worsened an already growing problem. No effort has been made to curb these excessive fuel costs even in the face of record oil company profits. Is food production now so unimportant that we would risk our own home grown food supply? The 07 Farm Bill must answer this question. Farm profitability is the best way to assure a safe, adequate, food supply now and in the future.

What needs to be done? Farmers need help now. Immediate reimbursement for excessive fuel, fertilizer, and freight costs is a start. Raising target prices and loan rates

to a level that reflects the costs of production is a must. USDA trade talk negotiators that put US farmers interest first would be another step. Leadership in alternative crops to support bio-fuel production should be another goal. Whatever is done, must be done now. Waiting for the 07 Farm Bill will be too late.

Thank you.

David J. Babb

A handwritten signature in cursive script that reads "David J. Babb". The signature is written in black ink and is positioned below the printed name.

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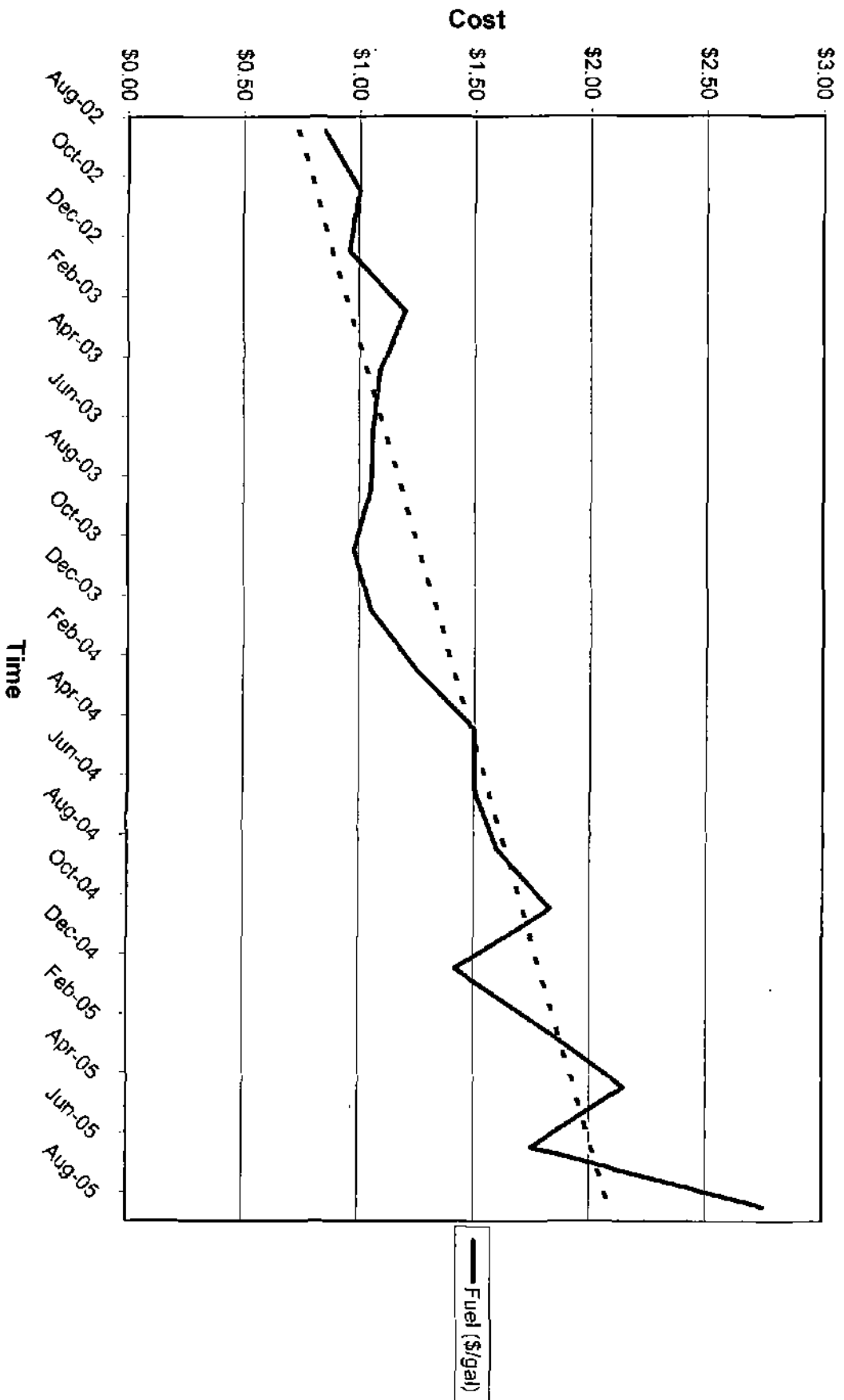
Why Farms Fail

David Babb

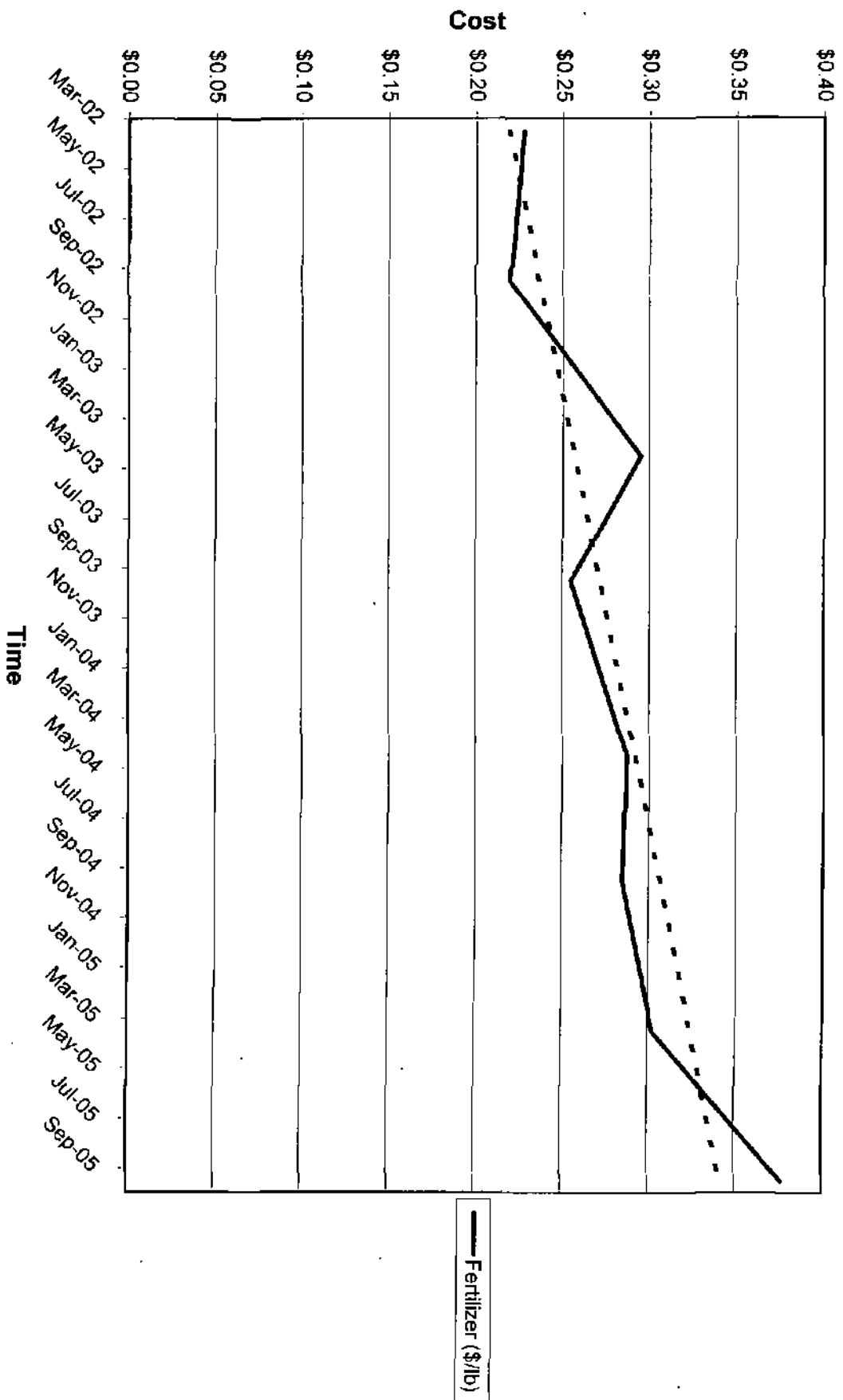
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October 3, 2005

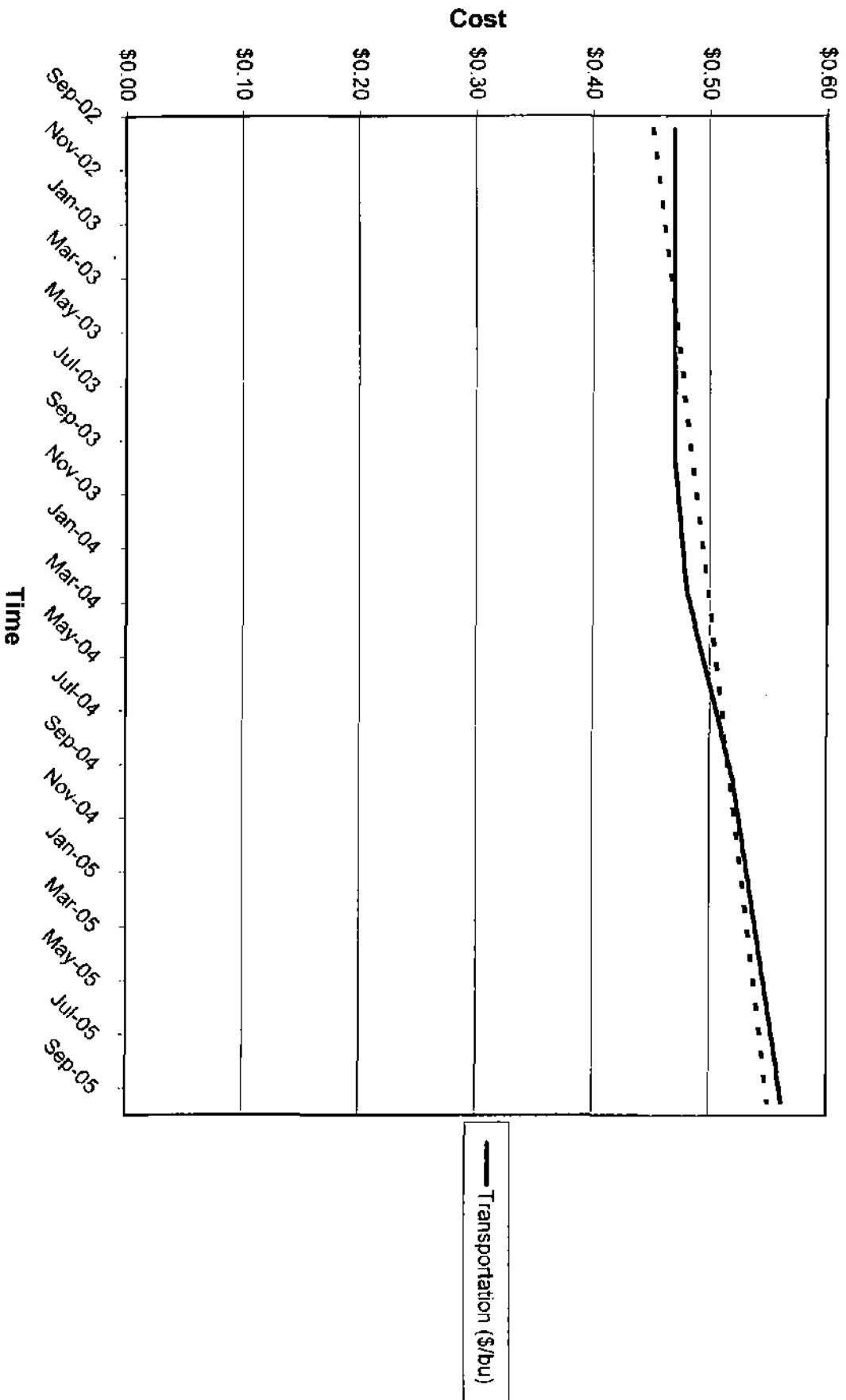
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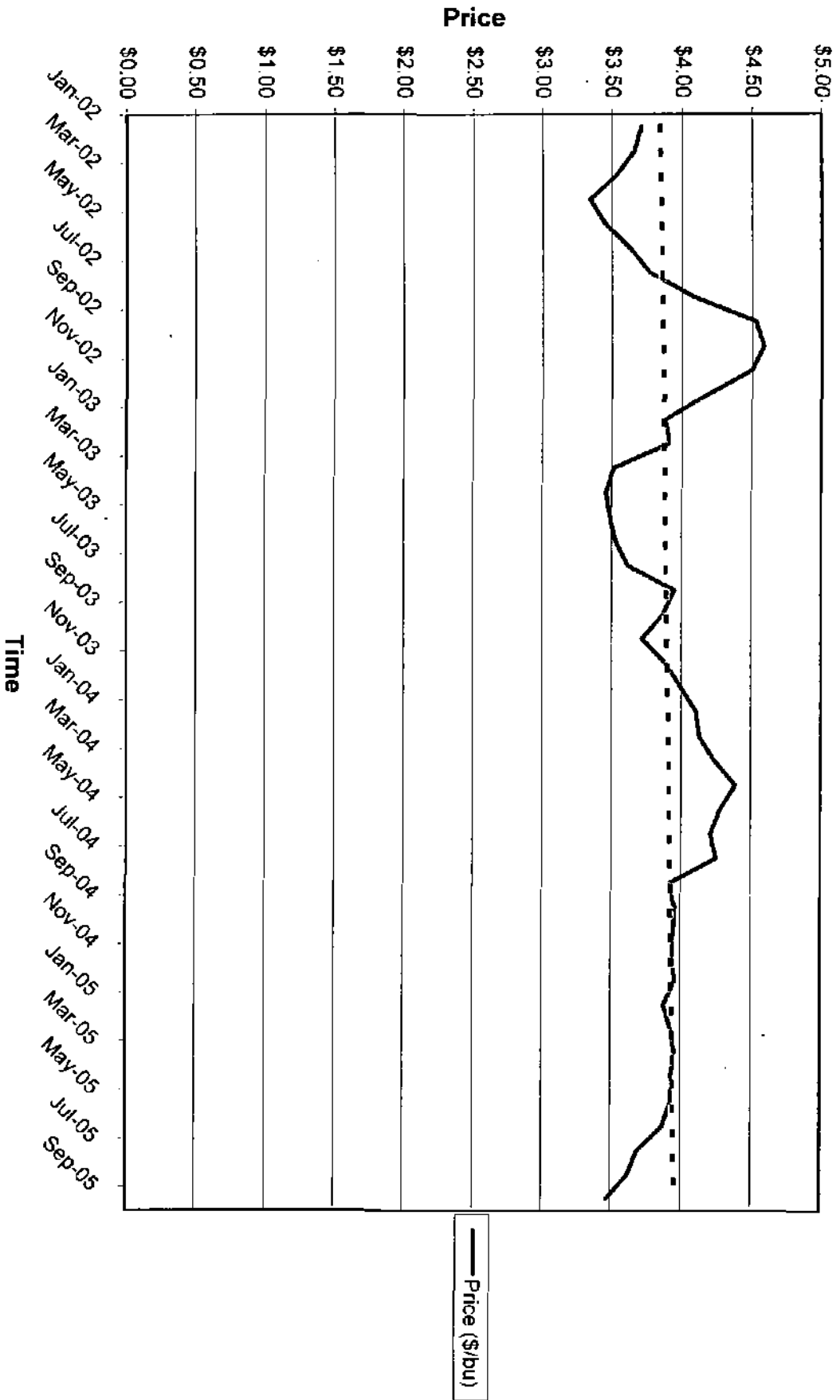
Fertilizer Cost



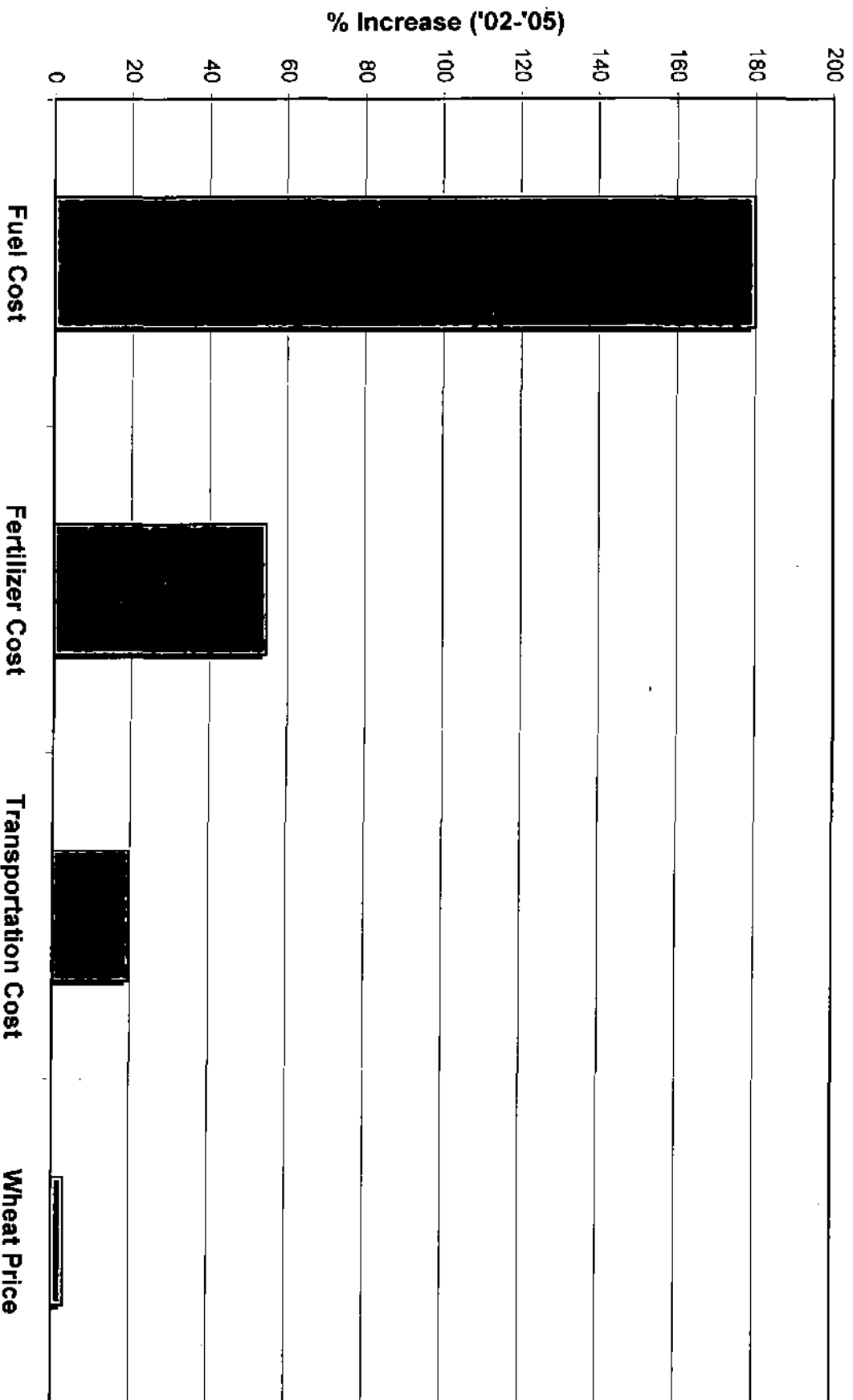
Transportation Cost



Wheat Price



Summary of Expense Increases Related to Wheat Price



References

CoAg

Contact: Curtis Schultz
Phone: 509-523-3511

Pomeroy Grain Growers

Contact: Rudy Fisher
Phone: 800-424-5056

Pruett Petroleum

Contact: Fred Pruett
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Western Farm Service

Contact: Dave Roles
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